



DAVID STEFFEN

STATE REPRESENTATIVE • 4TH ASSEMBLY DISTRICT

December 19, 2019

Chairman Macco and Ways and Means Committee Members,

Thank you for holding a public hearing on AB 620 relating to clarifying that personal property aid payments made to a TIF District transfer to other taxing jurisdictions after the district closes.

The 2017-2019 state budget expanded the personal property tax exemption for machinery, tools, and patterns, not including such items used in manufacturing. At the same time, the state committed to holding local governments harmless by creating a personal property aid program to reimburse cities, villages, towns, counties, and TIF districts for any revenue loss as a result of the expanded personal property exemption.

An issue has arisen with regard to DOR's interpretation of the personal property aid distributions. Department staff has interpreted current state law to mean that any personal property aid payments being made to a TIF district, for exempt personal property existing in the district, terminates when the TID closes.

AB 620 clarifies that following the termination of a tax incremental district, the amount that would have been paid to the TID is distributed to all applicable taxing jurisdictions.

I appreciate your consideration of this bill and I would be happy to answer any questions you may have.



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To: Assembly Committee on Ways and Means

From: Curt Witynski, J.D., Deputy Director, League of Wisconsin Municipalities

Date: December 19, 2019

Re: AB 620, Ensuring that personal property aid payments being made to TIF districts continue after the districts close

The League of Wisconsin Municipalities worked with Rep. Steffen and Sen. Bernier to introduce AB 620, which will ensure that personal property aid payments being made to tax incremental districts continue after the districts close.

The bill fixes a technical problem with the personal property aid program the Legislature created last session to reimburse taxing jurisdictions, including TIF districts, for the lost revenue caused by exempting machinery, tools, and patterns from the personal property tax.

The bill clarifies that personal property aid payments the state makes to a TIF District continue after the TIF district terminates but transfer to the municipality and other taxing jurisdictions.

The Department of Revenue reads current state law to say that any personal property aid payments being made to a TIF district for exempt personal property existing in the district terminate when the TIF district closes. Terminating the aid payments when the district closes makes no sense since:

- Often most of a community's exempt personal property is in a TIF district.
- The exempt personal property continues to exist in the community after the TIF district closes.
- If the personal property had existed outside a TIF district the community would continue to receive aid payments indefinitely.
- Computer aid payments made to a TIF district transfer to the municipality after the district closes.

We asked DOR staff to suggest language that we could include in a bill to make it clear to the Department that the personal property aid payments are transferred to the municipality and other taxing jurisdictions after a TIF district closes. AB 620 was drafted using the language DOR staff recommended.

We urge you to vote to recommend passage of AB 620. Thanks for considering our comments.

YOUR VOICE. YOUR WISCONSIN.



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Testimony on *Assembly Bill 620* before the
Assembly Committee on Ways and Means
December 19, 2019

William Burns, Assistant City Administrator/Finance Director
City of Middleton

Good morning Chairman Macco and members of the Committee. I appreciate the opportunity to testify in support of Assembly Bill 620.

My name is Bill Burns. I am the Assistant City Administrator and Finance Director for the City of Middleton. As a municipal finance professional, I would like to express my support for AB 620 which would ensure that personal property aid payments will continue to be paid to the underlying tax jurisdictions after the closure of a Tax Increment District (TID).

The primary purpose of tax increment financing is to generate new taxable value that is available to all taxing jurisdictions upon the closure of a TID. When Wisconsin 2017 Act 59 exempted certain personal property, the legislature established an aid program to offset the lost personal property tax revenue. This aid helps TIDs to be able to continue to meet their obligations. However, under the current Department of Revenue interpretation, this aid will cease at the closure of a TID and municipalities, counties, school districts, and technical colleges will not have the benefit of the personal property value created during the life of the TID.

The City of Middleton is fortunate to have two successful TIF districts that have created several hundred million dollars of new tax base. Much of that value is from personal property. Following the partial exemption of personal property taxes, the total value of personal property in Middleton's two active TIDs decreased by almost \$37 million.

Of that amount, \$26 million was from PPD, a pharmaceutical development company and Middleton's largest employer with over 1,300 jobs. Despite the tax exemption, that personal property still exists and PPD continues to expand and purchase additional laboratory equipment. Since the personal property aid is frozen based on 2017 personal property tax levels, the TID and the other taxing jurisdictions will not gain the full benefit of PPDs continued growth. However, AB 620 would help to ensure that each of the taxing jurisdictions will receive revenue from the personal property value created through 2017.

I encourage you to support Assembly Bill 620. Thank you for your consideration. I would be happy to answer any questions.